

**REPORT OF THE AUDIT OF THE
CHRISTIAN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CHRISTIAN COUNTY FISCAL COURT

June 30, 2006

The Auditor of Public Accounts has completed the audit of the Christian County Fiscal Court for fiscal year ended June 30, 2006. We have issued unqualified opinions on governmental activities, business-type activities, and each major fund.

Financial Condition:

The fiscal court had net assets of \$20,315,541 as of June 30, 2006. The fiscal court had unrestricted net assets of \$8,457,957 in its governmental activities as of June 30, 2006, with total net assets of \$20,126,764. In its enterprise fund, total cash, and cash equivalents were \$13,936 with total net assets of \$188,777. The fiscal court had total debt principal as of June 30, 2006 of \$22,555,265 with \$1,126,530 due within the next year.

Deposits:

As of June 30, 2006, the fiscal court's deposits were insured and collateralized by bank securities.

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
CHRISTIAN COUNTY OFFICIALS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	15
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	18
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	22
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	26
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	31
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	35
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS.....	39
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS	43
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS	47
NOTES TO FINANCIAL STATEMENTS.....	50
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS.....	71
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	77
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	83
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	87
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	89
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	93
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	97
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steve Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of Christian County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Christian County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Christian County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the modified cash basis of accounting.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky
Honorable Steve Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Christian County, Kentucky's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated August 7, 2007, on our consideration of Christian County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

August 7, 2007

CHRISTIAN COUNTY OFFICIALS**For The Year Ended June 30, 2006****Fiscal Court Members:**

Steve Tribble	County Judge/Executive
William H. Bruce	Magistrate
Mark E. Cansler	Magistrate
Thomas C. Jones	Magistrate
Lewis Everett Croft	Magistrate
Myron Dossett	Magistrate
James E. Fleming	Magistrate
Cleatus Edwin Long	Magistrate
Howard R. Pettus	Magistrate

Other Elected Officials:

J. Michael Foster	County Attorney
Lewis L. Leavell, Jr.	Jailer
Michael A. Kem	County Clerk
Gary Haddock	Circuit Court Clerk
William E. Gloyd	Sheriff
Mills Foster	Property Valuation Administrator
Dorris L. Lamb	Coroner

Appointed Personnel:

Ruth Mason	County Treasurer
Nita K. Leavell	Finance Officer

THIS PAGE LEFT BLANK INTENTIONALLY



EXECUTIVE OFFICES

CHRISTIAN COUNTY

STEVE TRIBBLE
COUNTY JUDGE EXECUTIVE

515 WEBER STREET
HOPKINSVILLE, KENTUCKY 42240

TELEPHONE
270-887-4100
FAX
270-885-7501

Management's Discussion and Analysis June 30, 2006

The financial management of Christian County, Kentucky offers readers of Christian County's financial statements this narrative overview and analysis of the financial activities of Christian County for the fiscal year ended June 30, 2006.

Financial Highlights

- Christian County had net assets of \$20,315,541 as of June 30, 2006. The fiscal court had unrestricted net assets of \$8,457,957 in the governmental activities as of June 30, 2006, with total net assets of \$20,126,764. In the enterprise fund, cash, and cash equivalents were \$13,936 with total assets of \$188,777. Total debt for governmental activities principal as of June 30, 2006 was \$22,555,265 with \$1,126,530 due within one year.
- The governmental activities' total net assets increased by \$3,109,321 from the prior year. This increase is primarily due to unanticipated receipts and debt reduction that was greater than depreciation of the capital assets.
- At the close of the current fiscal year, Christian County governmental funds reported cash and cash equivalents of \$7,171,398. Of this amount, \$6,158,994 is available for spending at the government's discretion (unreserved fund balance).
- Christian County's total indebtedness at the close of fiscal year June 30, 2006 was \$22,555,265, of which \$21,428,735 was long-term debt (due after 1 year) and \$1,126,530 was short-term debt (to be paid within 1 year). Debt additions were \$40,638, and debt reductions were \$1,174,638 for a net decrease of \$1,134,000 for the year.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Christian County's basic financial statements. Christian County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. The schedules include prior and current comparisons of general revenues by major source, and program expenses by function.

Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Christian County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on Christian County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Christian County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Christian County's governmental activities include general government, protection to persons and property, general health and sanitation, roads, recreation and culture, social services, airports, debt service, and capital projects. Christian County has one business type activity - Jail Canteen.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Christian County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Christian County can be divided into three broad categories: *governmental funds*, *proprietary funds*, and *fiduciary funds*.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)

Governmental Funds (Continued)

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Christian County maintains (8) eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances.

Major Funds:

- General Fund
- Road Fund
- Jail Fund
- Local Government Economic Assistance Fund
- Revolving Loan Fund
- E-911 Fee Fund
- Industrial Authority Revolving Loan Fund
- Christian County Public Courthouse Corporation Fund

Christian County adopts an annual appropriated budget for its major governmental funds except for the Public Courthouse Corporation Fund and the Industrial Authority Revolving Loan Fund, which were not budgeted by the fiscal court. A budgetary comparison statement has been provided for each of the budgeted funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Internal Service Funds. Internal Service funds provide a service to the primary government. The Christian County Health Insurance Fund accounts for all the activity of the self-insurance plan.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)

Financial Analysis of the County as a Whole

Net Assets. Net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Christian County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current and other assets	\$ 6,434,791	\$ 8,457,957	\$ 27,159	\$ 13,936	\$ 6,461,950	\$ 8,471,893
Net Capital Assets	34,271,917	34,224,072	181,793	174,841	34,453,710	34,398,913
Total Assets	<u>40,706,708</u>	<u>42,682,029</u>	<u>208,952</u>	<u>188,777</u>	<u>40,915,660</u>	<u>42,870,806</u>
Liabilities						
Current and other Liabilities	1,129,637	1,126,530			1,129,637	1,126,530
Long-term Liabilities	22,559,628	21,428,735			22,559,628	21,428,735
Total Liabilities	<u>23,689,265</u>	<u>22,555,265</u>			<u>23,689,265</u>	<u>22,555,265</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	10,582,652	11,668,807	181,793	174,841	10,764,445	11,843,648
Unrestricted	6,434,791	8,457,957	27,159	13,936	6,461,950	8,471,893
Total Net Assets	<u>\$ 17,017,443</u>	<u>\$ 20,126,764</u>	<u>\$ 208,952</u>	<u>\$ 188,777</u>	<u>\$ 17,226,395</u>	<u>\$ 20,315,541</u>

Changes in Net Assets.

Governmental Activities. Christian County's net assets increased by \$3,109,321 in fiscal year 2006. Key elements of this are as follows:

- Current assets increased \$2,023,166, due to unexpected miscellaneous revenues.
- Investment in capital assets and infrastructure, net of related debt increased \$1,086,155.
- Current and long-term liabilities decreased by \$1,134,000.
- General revenues were \$5,867,425 and total revenues were \$16,672,507 as reflected in the Statement of Activities
- Expenditures totaled \$13,563,186 as reflected in the Statement of Activities.

Business-type Activities. Christian County's net assets decreased by \$20,121 in fiscal year 2006. Key elements are as follows:

- Current assets and cash decreased by \$13,223.
- Investment in capital assets decreased \$6,898.
- Total revenue was \$571,669 as reflected in the Statement of Activities.
- Expenditures totaled \$591,927 as reflected in the Statement of Activities.

**Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Financial Analysis of the County's Funds

**Table 2
Christian County's Comparison
of General Revenue by Source and
Program Expenses by Function**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Program Revenues						
Charges for Services	\$ 6,593,721	\$ 5,163,470	\$ 596,421	\$ 571,669	\$ 7,190,142	\$ 5,735,139
Operating Grants and Contributions	1,922,547	2,958,968			1,922,547	2,958,968
Capital Grants and Contributions	2,073,135	2,682,644			2,073,135	2,682,644
General Revenues						
Taxes	3,641,250	3,953,528			3,641,250	3,953,528
Miscellaneous and Other	1,475,270	1,913,897	105	137	1,475,375	1,914,034
Total Revenue	15,705,923	16,672,507	596,526	571,806	16,302,449	17,244,313
Expenses						
General Government	4,196,616	4,473,261			4,196,616	4,473,261
Protection to Persons and Property	4,948,553	5,357,877			4,948,553	5,357,877
General Health and Sanitation	230,678	260,878			230,678	260,878
Social Services	60,877	84,657			60,877	84,657
Recreation and Culture	164,908	119,696			164,908	119,696
Roads	1,305,946	1,336,399			1,305,946	1,336,399
Airports	25,863	24,500			25,863	24,500
Debt Service	1,155,411	1,146,098			1,155,411	1,146,098
Capital Projects	1,146,703	759,820			1,146,703	759,820
Jail Canteen			639,072	591,927	639,072	591,927
Total Expenses	13,235,555	13,563,186	639,072	591,927	13,874,627	14,155,113
Change In Net Assets	2,470,368	3,109,321	(42,546)	(20,121)	2,427,822	3,089,200
Net Assets - Beginning	14,547,075	17,017,443	251,444	208,898	14,798,519	17,226,341
Net Assets - Ending	\$ 17,017,443	\$ 20,126,764	\$ 208,898	\$ 188,777	\$ 17,226,341	\$ 20,315,541

**Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Financial Analysis of the County's Funds (Continued)

Governmental Funds Overview. As of the end of June 2006 fiscal year, the combined ending fund balances of County governmental funds were \$7,171,398. Approximately 86% (\$6,158,994) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$1,012,404) is reserved to indicate that it is not available for new spending because it is committed for the various encumbrances.

As noted earlier, the County has (8) eight major governmental funds.

1. The General Fund is the chief operating fund of Christian County. At the end of June 30, 2006 fiscal year, unreserved fund balance of the General Fund was \$4,031,734. The County received \$3,993,745 in real and personal property, motor vehicle, and other taxes for approximately 60% of the county's general revenues. Various other service fees and miscellaneous revenues contribute to the remaining 40% of revenues. There was a significant budget variance in General Fund revenues.
2. The Road Fund is the fund related to County road and bridge construction and maintenance. The Road Fund had a \$307,467 fund balance at June 30, 2006. The fiscal year 2006 expenditures for the Road Fund were \$1,922,961.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2006 of \$146,435. The Jail Fund received \$4,214,495 for intergovernmental fees, primarily for housing prisoners.
4. The Local Government Economic Assistance Fund had a fund balance of \$109,799 as of June 30, 2006. These funds are held for economic development.
5. The Revolving Loan Fund had a fund balance of \$411,069. These funds are used to make loans to local businesses.
6. The E-911 Fee Fund had a fund balance of \$1,158,742. These funds are used for 911 services.
7. The Industrial Authority Revolving Loan Fund had a fund balance \$238,380 as of June 30, 2006. These funds are held for loans to local businesses.
8. The Public Courthouse Corporation Fund had a fund balance of \$326,958 as of June 30, 2006.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the government-wide statements, but in more detail.

Christian County has (1) one enterprise-type proprietary fund, which is:

- Jail Canteen Fund

The Jail Canteen Fund's unrestricted net assets at the end of June 30, 2006 fiscal year, amounted to \$13,936 and total assets were \$188,777.

**Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Financial Analysis of the County's Funds (Continued)

Internal Service Fund Overview. Christian County maintains (1) one internal service fund, which is:

- Health Insurance Fund.

The Health Insurance Fund's unrestricted total assets at the end of June 30, 2006 were \$841,713.

Capital Assets and Debt Administration

Capital Assets. Christian County's investment in capital assets for its governmental and business-type activities as of June 30, 2006, amount to \$34,398,913 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles, current infrastructure additions, and construction in progress for park improvements.

Major capital asset events during the 2006 fiscal year included the road operations and the purchase of several vehicles.

Additional information about the County's capital assets can be found in Note 4 of this report.

**Table 3
Christian County's Capital Assets, Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Infrastructure						
Assets	\$ 3,630,716	\$ 3,901,637	\$	\$	\$ 3,630,716	\$ 3,901,637
Land	2,263,092	2,263,092			2,263,092	2,263,092
Construction						
In Progress	44,753	27,504			44,753	27,504
Buildings	26,965,018	26,562,117			26,965,018	26,562,117
Furniture and						
Fixtures	179,279	401,020			179,279	401,020
Land						
Improvements	101,111	91,054			101,111	91,054
Vehicles and						
Equipment	1,087,948	977,648	181,739	174,841	1,269,687	1,152,489
Total Net						
Capital Assets	<u>\$ 34,271,917</u>	<u>\$ 34,224,072</u>	<u>\$ 181,739</u>	<u>\$ 174,841</u>	<u>\$ 34,453,656</u>	<u>\$ 34,398,913</u>

**Christian County
Management's Discussion and Analysis
June 30, 2006
(Continued)**

Capital Assets and Debt Administration (Continued)

Long-Term Debt. At the end of the 2006 fiscal year, Christian County had total bonded debt outstanding of \$19,520,000 from General Obligation Bonds. The County had financing agreements totaling \$3,035,265.

Other Matters. The following factors are expected to have a significant effect on the County's financial position or results of operations and were taken into account in developing the 2007 fiscal year budget:

- The 2007 fiscal year adopted budget continues most services at current levels.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, will have a negative impact on funding for county programs.
- Economic factors indicate continued growth for Christian County.

Requests For Information

This financial report is designed to provide a general overview of Christian County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided herein or requests for additional financial information should be addressed to the Christian County Treasurer, 521 Weber Street, Hopkinsville, KY, 42240.

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 8,013,111	\$ 13,936	\$ 8,027,047
Notes Receivable	71,266		71,266
Total Current Assets	<u>8,084,377</u>	<u>13,936</u>	<u>8,098,313</u>
Noncurrent Assets:			
Notes Receivable	373,580		373,580
Capital Assets - Net of Accumulated Depreciation			
Land	2,263,092		2,263,092
Land Improvements	91,054		91,054
Construction in Progress	27,504		27,504
Buildings	26,562,117		26,562,117
Furniture and Office Equipment	401,020		401,020
Vehicles and Equipment	977,648	174,841	1,152,489
Infrastructure Assets - Net of Depreciation	<u>3,901,637</u>		<u>3,901,637</u>
Total Noncurrent Assets	<u>34,597,652</u>	<u>174,841</u>	<u>34,772,493</u>
Total Assets	<u>42,682,029</u>	<u>188,777</u>	<u>42,870,806</u>
LIABILITIES			
Current Liabilities:			
Bonds Payable	920,000		920,000
Financing Obligations Payable	206,530		206,530
Total Current Liabilities	<u>1,126,530</u>		<u>1,126,530</u>
Noncurrent Liabilities:			
Bonds Payable	18,600,000		18,600,000
Financing Obligations Payable	2,828,735		2,828,735
Total Noncurrent Liabilities	<u>21,428,735</u>		<u>21,428,735</u>
Total Liabilities	<u>22,555,265</u>		<u>22,555,265</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	11,668,807	174,841	11,843,648
Unrestricted	<u>8,457,957</u>	<u>13,936</u>	<u>8,471,893</u>
Total Net Assets	<u>\$ 20,126,764</u>	<u>\$ 188,777</u>	<u>\$ 20,315,541</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 4,473,261	\$ 119,017	\$ 568,163	\$ 56,479
Protection to Persons and Property	5,357,877	4,982,092	1,903,677	115,477
General Health and Sanitation	260,878	62,361	487,128	673,866
Social Services	84,657			
Recreation and Culture	119,696			
Roads	1,336,399			1,836,822
Airports	24,500			
Debt Service	1,146,098			
Capital Projects	759,820			
Total Governmental Activities	13,563,186	5,163,470	2,958,968	2,682,644
Business-type Activities:				
Jail Canteen	591,927	571,669		
Total Business-type Activities	591,927	571,669		
Total	\$ 14,155,113	\$ 5,735,139	\$ 2,958,968	\$ 2,682,644

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes
Other Taxes

E-911 Fee

In Lieu of Tax

Sheriff/Clerk 25% Account

Miscellaneous Revenues

Telephone Commissions

Reimbursements

Insurance Proceeds (Claims)

Interest Received

Financing Obligation Payments Made By Sheriff

Capital Asset Purchased by the County Clerk

Gain on Capital Assets Disposed

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Totals
\$ (3,729,602)	\$	\$ (3,729,602)
1,643,369		1,643,369
962,477		962,477
(84,657)		(84,657)
(119,696)		(119,696)
500,423		500,423
(24,500)		(24,500)
(1,146,098)		(1,146,098)
(759,820)		(759,820)
(2,758,104)		(2,758,104)
	(20,258)	(20,258)
	(20,258)	(20,258)
\$ (2,758,104)	\$ (20,258)	\$ (2,778,362)
2,486,815		2,486,815
439,747		439,747
274,249		274,249
752,717		752,717
217,949		217,949
150,187		150,187
530,475		530,475
350,858		350,858
228,804		228,804
105,967		105,967
23,237		23,237
196,345	137	196,482
96,585		96,585
7,700		7,700
5,790		5,790
5,867,425	137	5,867,562
3,109,321	(20,121)	3,089,200
17,017,443	208,898	17,226,341
\$ 20,126,764	\$ 188,777	\$ 20,315,541

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2006

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund	Revolving Loan Fund
ASSETS					
Cash and Cash Equivalents	\$ 4,472,548	\$ 307,467	\$ 146,435	\$ 109,799	\$ 411,069
Total Assets	<u>\$ 4,472,548</u>	<u>\$ 307,467</u>	<u>\$ 146,435</u>	<u>\$ 109,799</u>	<u>\$ 411,069</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 440,814	\$ 77,856	\$ 439,509	\$ 2,465	\$
Unreserved:					
General Fund	4,031,734				
Special Revenue Funds		229,611	(293,074)	107,334	411,069
Debt Service Fund					
Total Fund Balances	<u>\$ 4,472,548</u>	<u>\$ 307,467</u>	<u>\$ 146,435</u>	<u>\$ 109,799</u>	<u>\$ 411,069</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2006
(Continued)

E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund	Total Governmental Funds
\$ 1,158,742	\$ 238,380	\$ 326,958	\$ 7,171,398
\$ 1,158,742	\$ 238,380	\$ 326,958	\$ 7,171,398
\$ 51,760	\$	\$	\$ 1,012,404
			4,031,734
1,106,982	238,380		1,800,302
		326,958	326,958
\$ 1,158,742	\$ 238,380	\$ 326,958	\$ 7,171,398

Reconciliation To Statement Of Net Assets

Total Fund Balances	\$ 7,171,398
Notes Receivable	444,846
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	41,151,963
Accumulated Depreciation	(6,927,891)
Internal Service Fund Is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets Are Included in Governmental Activities on the Statement of Net Assets	841,713
Long- term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Bonded Debt	(19,520,000)
Financing Obligations	(3,035,265)
Net Assets of Governmental Activities	\$ 20,126,764

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	General Fund	Road Fund	Jail Fund	Local Government Economic Assistance Fund
REVENUES				
Taxes	\$ 3,843,558	\$	\$	\$
In Lieu Tax Payments	150,187			
Excess Fees	530,475			
Licenses and Permits	89,316			
Intergovernmental	1,545,518	2,065,017	4,214,495	271,996
Charges for Services	210,312		954,171	
Miscellaneous	180,560	75,031	231,862	
Interest	108,524	17,280	12,973	6
Total Revenues	<u>6,658,450</u>	<u>2,157,328</u>	<u>5,413,501</u>	<u>272,002</u>
EXPENDITURES				
General Government	1,905,396			13,063
Protection to Persons and Property	724,990		3,929,703	
General Health and Sanitation	251,123			
Social Services	62,582			
Recreation and Culture	106,504			
Roads		1,283,319		205,183
Airports	24,500			
Debt Service	29,397		737,250	
Capital Projects	363,507	396,313		
Administration	1,404,834	243,329	1,125,290	
Total Expenditures	<u>4,872,833</u>	<u>1,922,961</u>	<u>5,792,243</u>	<u>218,246</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,785,617</u>	<u>234,367</u>	<u>(378,742)</u>	<u>53,756</u>
Other Financing Sources (Uses)				
Financing Agreement Proceeds	40,638			
Transfers from Other Funds		45,000		45,041
Transfers to Other Funds	(45,000)	(45,041)	(62,607)	
Total Other Financing Sources (Uses)	<u>(4,362)</u>	<u>(41)</u>	<u>(62,607)</u>	<u>45,041</u>
Net Change in Fund Balances	1,781,255	234,326	(441,349)	98,797
Fund Balances - Beginning	<u>2,691,293</u>	<u>73,141</u>	<u>587,784</u>	<u>11,002</u>
Fund Balances - Ending	<u>\$ 4,472,548</u>	<u>\$ 307,467</u>	<u>\$ 146,435</u>	<u>\$ 109,799</u>

The accompanying notes are an integral part of the financial statements.

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2006
(Continued)

Revolving Loan Fund	E-911 Fee Fund	Industrial Authority Revolving Loan Fund	Public Courthouse Corporation Fund	Total Governmental Funds
\$	\$ 217,949	\$	\$	\$ 4,061,507
				150,187
				530,475
				89,316
	141,501		1,378,207	9,616,734
				1,164,483
	250,000	90,500		827,953
10,503	31,694	2,642	12,722	196,344
10,503	641,144	93,142	1,390,929	16,636,999
115,000				2,033,459
	569,350			5,224,043
				251,123
				62,582
				106,504
				1,488,502
				24,500
			1,440,881	2,207,528
				759,820
		13		2,773,466
115,000	569,350	13	1,440,881	14,931,527
(104,497)	71,794	93,129	(49,952)	1,705,472
				40,638
			62,607	152,648
				(152,648)
			62,607	40,638
(104,497)	71,794	93,129	12,655	1,746,110
515,566	1,086,948	145,251	314,303	5,425,288
\$ 411,069	\$ 1,158,742	\$ 238,380	\$ 326,958	\$ 7,171,398

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2006

CHRISTIAN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ 1,746,110
Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.	
Capital Outlay	1,105,158
Construction in Progress	27,504
Depreciation Expense	(1,174,897)
Book Value of Capital Assets Disposed	(5,610)
Notes Receivable Principal Received	(74,567)
Notes Receivable Principal Loaned	100,000
Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of This Fund Are Reported with Governmental Activities.	251,623
The Issuance of Long-term Debt (e.g. Bonds, Leases) Provides Current Financial Resources to Governmental Funds while Principal Payments Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, however, Have No Effect on Net Assets.	
Financing Obligation Proceeds	(40,638)
Bond Payments	875,000
Financing Obligations Payments	299,638
Change in Net Assets of Governmental Activities	<u><u>\$ 3,109,321</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

June 30, 2006

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Insurance Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 13,936	\$ 841,713
Total Current Assets	<u>13,936</u>	<u>841,713</u>
Noncurrent Assets:		
Capital Assets:		
Vehicles and Equipment	251,077	
Less Accumulated Depreciation	<u>(76,236)</u>	
Total Noncurrent Assets	<u>174,841</u>	
Total Assets	<u>188,777</u>	<u>841,713</u>
Net Assets		
Invested in Capital Assets	174,841	
Unrestricted	<u>13,936</u>	<u>841,713</u>
Total Net Assets	<u>\$ 188,777</u>	<u>\$ 841,713</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Business-Type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Insurance Fund</u>
Operating Revenues		
Canteen Receipts	\$ 571,669	\$
Reimbursements		1,618,837
Total Operating Revenues	<u>571,669</u>	<u>1,618,837</u>
Operating Expenses		
Cost of Sales	492,308	
Educational and Recreational	72,157	
Depreciation	24,198	
Administrative		1,384,051
Miscellaneous	3,264	
Total Operating Expenses	<u>591,927</u>	<u>1,384,051</u>
Operating Income (Loss)	<u>(20,258)</u>	<u>234,786</u>
Nonoperating Revenues (Expenses)		
Interest Income	137	16,837
Inmate Pay From State	4,010	
Inmate Refunds	<u>(4,010)</u>	
Net Nonoperating Revenues (Expenses)	<u>137</u>	<u>16,837</u>
Change In Net Assets	(20,121)	251,623
Total Net Assets - Beginning	<u>208,898</u>	<u>590,090</u>
Total Net Assets - Ending	<u><u>\$ 188,777</u></u>	<u><u>\$ 841,713</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2006

	<u>Business-type Activity</u>	<u>Governmental Activities</u>
	<u>Enterprise Fund</u>	<u>Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Health Insurance Fund</u>
Cash Flows From Operating Activities		
Receipts From Customers	\$ 571,669	\$
Cost of Sales	(492,308)	
Educational and Recreational	(72,157)	
Administrative		234,786
Miscellaneous	(3,264)	
Net Cash Provided By Operating Activities	<u>3,940</u>	<u>234,786</u>
Cash Flows From Noncapital Financing Activities		
Inmate Pay From State	4,010	
Inmate Refunds on Accounts	(4,010)	
Net Cash Provided By Noncapital Financing Activities	<u>0</u>	<u>0</u>
Cash Flows From Capital and Related Financing Activities		
Capital Assets	(17,300)	
Net Cash Used By Capital and Related Financing Activities	<u>(17,300)</u>	
Cash Flows From Investing Activities		
Interest Earned	137	16,837
Net Cash Provided By Investing Activities	137	16,837
Net Increase (Decrease) in Cash and Cash Equivalents	(13,223)	251,623
Cash and Cash Equivalents - July 1, 2005	27,159	590,090
Cash and Cash Equivalents - June 30, 2006	<u>\$ 13,936</u>	<u>\$ 841,713</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (20,258)	\$ 234,786
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities		
Depreciation Expense	24,198	
Net Cash Provided By Operating Activities	<u>\$ 3,940</u>	<u>\$ 234,786</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

CHRISTIAN COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2006

	<u>Agency Fund</u>
	Dog
	Warden
	<u>Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 3,649
Total Assets	<u>3,649</u>
Liabilities	
Amounts Held In Custody For Others	3,649
Total Liabilities	<u>\$ 3,649</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	50
NOTE 2.	DEPOSITS	57
NOTE 3.	NOTES RECEIVABLE	57
NOTE 4.	CAPITAL ASSETS	58
NOTE 5.	LONG-TERM DEBT	60
NOTE 6.	SHORT-TERM DEBT	64
NOTE 7.	INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS	64
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM	65
NOTE 9.	DEFERRED COMPENSATION.....	65
NOTE 10.	INSURANCE.....	65
NOTE 11.	HEALTH INSURANCE	65
NOTE 12.	SUBSEQUENT EVENTS	66

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included or recognized on Balance Sheet- Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Christian County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or their exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

Christian County Public Courthouse Corporation

The Christian County Fiscal Court appoints the Public Courthouse Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Courthouse Corporation. Financial information for the Public Courthouse Corporation is blended within Christian County's financial statements. All activities of the Public Courthouse Corporation are accounted for within a major (debt service) fund.

Christian County Industrial Authority

The Christian County Fiscal Court appoints the Industrial Authority's governing board and has the ability to impose its will on the governing board. Financial information for the Industrial Authority is blended within Christian County's financial statements. All activities of the Industrial Authority are accounted for within a major (special revenue) fund.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Christian County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Christian County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These officials are not part of the Christian County reporting entity.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenditures of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, and payments from other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for coal and mineral tax revenues. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Revolving Loan Fund - The primary purpose of this fund is to account for Community Development Block Grant Revolving Loan proceeds. Loans are made from this fund to local businesses that meet the Governor's Office for Local Development criteria for small business loans. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

E911 Fee Fund - The primary purpose of this fund is to account for 911 tax revenues and emergency services expenditures.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Industrial Authority Revolving Loan Fund - The purpose of this fund is to account for the activities of the Christian County Industrial Authority, a blended component unit of the county. Activity of this fund includes the repayment of small business loans made by the Revolving Loan Fund. On November 12, 2003, the Governor's Office for Local Development approved an ordinance allowing this activity.

Public Courthouse Corporation Fund - The purpose of this fund is to account for the activities of the Public Courthouse Corporation, a blended component unit of the county. The Public Courthouse Corporation issues debt to build major facilities or additions. The Christian County Public Courthouse Corporation has entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (the "AOC"), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. This lease/sublease agreement expires every two years.

Special Revenue Funds:

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, Revolving Loan Fund, E-911 Fee Fund, and the Industrial Authority Revolving Loan Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The Public Courthouse Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Enterprise Fund:

The principal operating revenue of the county's enterprise fund is charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund: (Continued)

The primary government reports the following major enterprise fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund:

The primary government reports the following internal service fund:

Health Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund, the Dog Warden Fund, is used to account for dog fees held by the dog warden, for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	50,000	10-75
Building Improvements	50,000	10-75
Machinery and Equipment	5,000	3-25
Vehicles	5,000	2-40
Infrastructure	25,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance, if applicable.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The State Local Finance Officer does not require formal budgets to be adopted for the Industrial Authority Revolving Loan Fund, Public Courthouse Corporation Fund, and the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

J. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Christian County Water District is considered a related organization of Christian County Fiscal Court.

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based on these criteria, the following are considered jointly governed organizations of the Christian County Fiscal Court: Hopkinsville-Christian County Airport; Hopkinsville-Christian County Ambulance Service; Hopkinsville-Christian County Communication Center; Hopkinsville-Christian County Convention and Visitors Center; Hopkinsville-Christian County Economic Development Council; Hopkinsville-Christian County Public Library; Hopkinsville-Christian County Recreation Commission; Hopkinsville-Christian County Senior Citizens; and Hopkinsville-Christian County Planning Commission.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Notes Receivable

- A. The County loaned \$60,000 to BuyRite Parts on February 6, 1998, for the purpose of purchasing real estate and improvements. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that BuyRite Parts is in substantial compliance with this agreement. As of June 30, 2006, principal balance due was \$11,811.
- B. The County loaned \$100,000 to Ag Spray Equipment, Inc., on October 6, 1998, for the purpose of financing a building and real estate. Terms of the agreement stipulate a 10-year repayment schedule at 5.5 percent interest. Records indicate that Ag Spray Equipment, Inc., is in substantial compliance with this agreement. As of June 30, 2006, principal balance due was \$27,486.
- C. The County loaned \$100,000 to Paris Packaging on July 21, 2003, for the purpose of financing the acquisition of certain assets. Terms of the agreement stipulate a 5-year repayment schedule at 3.0 percent interest. Records indicate that Paris Packaging is in substantial compliance with this agreement. As of June 30, 2006, principal balance due was \$43,494.
- D. The County loaned \$300,000 to Commonwealth Agri Energy, LLC on April 20, 2004 for the purpose of constructing an Ethanol production facility. Terms of the agreement stipulate a 10-year repayment schedule at 3.0 percent interest. Records indicate that Commonwealth Agri Energy, LLC is one month delinquent on principal payments. As of June 30, 2006, principal balance due was \$264,338.
- E. The County loaned \$100,000 to Maintainer Corporation of Kentucky on April 25, 2006 for the purpose of financing real estate. Terms of the agreement stipulate a 10-year repayment schedule at 4.0 percent interest. Records indicate that Maintainer Corporation is in substantial compliance with this agreement. As of June 30, 2006, the principal balance was \$97,717.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 3. Notes Receivable (Continued)

These receivables are due to the Industrial Authority Revolving Loan Fund. Notes receivable, as of year-end for the government's individual major funds and all other funds, in the aggregate, including the delinquent principal payments are as follows:

	<u>Amount</u>
Short Term	\$ 71,266
Long Term	<u>373,580</u>
Total Receivables	<u><u>\$ 444,846</u></u>

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Reporting Entity</u>			
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 44,753	\$ 27,504	\$ (44,753)	\$ 27,504
Land	<u>2,263,092</u>			<u>2,263,092</u>
Total Capital Assets Not Being Depreciated	<u>2,307,845</u>	<u>27,504</u>	<u>(44,753)</u>	<u>2,290,596</u>
Capital Assets, Being Depreciated:				
Land Improvements	125,096			125,096
Buildings	29,824,475			29,824,475
Furniture and Office Equipment	625,674	273,360		899,034
Vehicles and Equipment	2,429,962	65,538	(167,914)	2,327,586
Infrastructure	<u>4,874,163</u>	<u>811,013</u>		<u>5,685,176</u>
Total Capital Assets Being Depreciated	<u>37,879,370</u>	<u>1,149,911</u>	<u>(167,914)</u>	<u>38,861,367</u>
Less Accumulated Depreciation For:				
Land Improvements	(23,985)	(10,057)		(34,042)
Buildings	(2,859,457)	(402,901)		(3,262,358)
Furniture and Office Equipment	(446,395)	(51,619)		(498,014)
Vehicles and Equipment	(1,342,014)	(170,228)	162,304	(1,349,938)
Infrastructure	<u>(1,243,447)</u>	<u>(540,092)</u>		<u>(1,783,539)</u>
Total Accumulated Depreciation	<u>(5,915,298)</u>	<u>(1,174,897)</u>	<u>162,304</u>	<u>(6,927,891)</u>
Total Capital Assets, Being Depreciated, Net	<u>31,964,072</u>	<u>(24,986)</u>	<u>(5,610)</u>	<u>31,933,476</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 34,271,917</u></u>	<u><u>\$ 2,518</u></u>	<u><u>\$ (50,363)</u></u>	<u><u>\$ 34,224,072</u></u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2006 was as follows: (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles and Equipment	\$ 233,777	\$ 17,300	\$	\$ 251,077
Total Capital Assets Being Depreciated	233,777	17,300		251,077
Less Accumulated Depreciation For:				
Vehicles and Equipment	(52,038)	(24,198)		(76,236)
Total Accumulated Depreciation	(52,038)	(24,198)		(76,236)
Total Capital Assets, Being Depreciated, Net	181,739	(6,898)		174,841
Business-Type Activities Capital Assets, Net	\$ 181,739	\$ (6,898)	\$ 0	\$ 174,841

Depreciation expense was charged to functions of the government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 324,119
Protection to Persons and Property	175,495
General Health and Sanitation	9,755
Social Services	22,075
Recreation and Culture	13,192
Roads, Including Depreciation of General Infrastructure Assets	<u>630,261</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,174,897</u>
<u>Business-Type Activities</u>	
Jail Canteen Fund	<u>\$ 24,198</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 24,198</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt

A. General Obligation Bonds, Series 1998

The county issued general obligation bonds in the amount of \$4,705,000 on December 1, 1998. The proceeds of the bonds were used to expand, renovate, and improve the Christian County Detention Facility. The bonds bear interest between 3.5% and 4.2%. Payments are due on December 1 and June 1 of each year. The maturity date of the bonds is December 1, 2014. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The principal balance of these general obligation bonds as of June 30, 2006 was \$ 3,160,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 124,704	\$ 295,000
2008	112,604	310,000
2009	99,924	320,000
2010	86,534	335,000
2011	72,362	350,000
2012-2015	133,350	1,550,000
Totals	<u>\$ 629,478</u>	<u>\$ 3,160,000</u>

B. Revenue Bonds, Series 2000

The Christian County Public Courthouse Corporation entered into a bond issue titled, Christian County Public Courthouse Corporation Lease Revenue Bonds (Courts Facility Project), Series 2000 bonds on November 1, 2000, for the purpose of financing the cost of the acquisition, construction, and equipping of the Justice Center, a court facility, and complete renovations of the Christian County Corrections Center. The issue amount of the bonds was \$18,565,000. The bonds bear interest between 5.1% and 5.25%.

The Christian County Public Courthouse Corporation entered into a lease/sublease agreement with the Commonwealth of Kentucky, Administrative Office of the Courts (AOC), in which the AOC wishes to use and sublease all or a portion of certain facilities owned or to be constructed by or on behalf of the County. AOC agreed to pay the County sufficient periodic amounts to service \$17,740,000 of the total debt principal of \$18,565,000. The Christian County Fiscal Court has agreed to pay the remainder of the principal of this bond issue in the amount of \$825,000.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt (Continued)

B. Revenue Bonds, Series 2000 (Continued)

The principal balance of these revenue bonds as of June 30, 2006, was \$ 16,360,000. Annual debt service requirements to maturity for the bonds are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 820,507	\$ 625,000
2008	788,506	655,000
2009	754,881	690,000
2010	719,631	720,000
2011	682,631	760,000
2012-2016	2,655,723	4,435,000
2017-2021	1,484,028	5,735,000
2022-2023	145,688	2,740,000
Totals	<u>\$ 8,051,595</u>	<u>\$ 16,360,000</u>

C. Jail Renovation

The Kentucky Local Correctional Facilities Construction Authority, an independent corporate agency and instrumentality of the Commonwealth of Kentucky, issues revenue bonds for the purpose of construction and reconstruction of jail facilities. On June 18, 1992, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$4,081,000 at a 5.863% effective interest rate. The terms of the financing agreement was for 25 years. The maturity date of the financing obligation is February 1, 2017. The principal balance of the obligation at June 30, 2006 was \$2,537,000. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 130,771	\$ 174,000
2008	121,452	184,000
2009	111,411	194,000
2010	100,896	204,000
2011	89,756	216,000
2012-2016	260,175	1,268,000
2017	9,276	297,000
Totals	<u>\$ 823,737</u>	<u>\$ 2,537,000</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt (Continued)

D. Sheriff's Office Renovation

On August 15, 2003, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$374,769 at a 2.245% effective interest rate. The financing obligation was for the renovation of the Sheriff's office. The maturity date of the obligation is September 20, 2023. The principal balance of the obligation at June 30, 2006 was \$338,085. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 16,736	\$ 12,653
2008	16,108	13,302
2009	15,417	13,985
2010	14,700	14,703
2011	13,938	15,458
2012-2016	57,020	90,045
2017-2021	31,457	115,662
2022-2024	3,952	62,277
Totals	<u>\$ 169,328</u>	<u>\$ 338,085</u>

E. Jail Vehicles - 2005

On March 11, 2005, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,070 at a 2.175% effective interest rate. The financing obligation was for the purchase of two vehicles for the jail. The maturity date of the obligation is March 20, 2009. The principal balance of the financing obligation at June 30, 2006 was \$28,306. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 1,206	\$ 9,877
2008	700	10,385
2009	178	8,044
Totals	<u>\$ 2,084</u>	<u>\$ 28,306</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt (Continued)

F. Sheriff Vehicles - 2005

On April 29, 2005, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$176,236 at a 4.25% effective interest rate. The financing obligation was for the purchase of nine vehicles for the Sheriff. The maturity date of the obligation is July 20, 2009. The payment due July 20, 2006, was made June 26, 2006, resulting in a prepayment of the 2007 obligation. The principal balance of the financing obligation at June 30, 2006 was \$91,236. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2008	\$ 2,581	\$ 45,000
2009	203	46,236
Totals	<u>\$ 2,784</u>	<u>\$ 91,236</u>

G. Sheriff Vehicles - 2006

On July 29, 2005, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the sum of \$40,638 at a 3.47% effective interest rate. The financing obligation was for the purchase of two vehicles for the Sheriff. The maturity date of the obligation is July 20, 2009. The principal balance of the financing obligation at June 30, 2006 was \$40,638. Annual debt service requirements to maturity are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2007	\$ 1,298	\$ 10,000
2008	1,041	10,000
2009	696	10,000
2010	56	10,638
Totals	<u>\$ 3,091</u>	<u>\$ 40,638</u>

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 3,445,000	\$	\$ 285,000	\$ 3,160,000	\$ 295,000
Lease Revenue Bonds	16,950,000		590,000	16,360,000	625,000
Financing Obligations:					
Kentucky Association Of Counties Leasing Trust Program	3,277,642	40,638	283,015	3,035,265	206,530
Farmers Bank and Capital Trust	16,623		16,623		
Governmental Activities Long-term Liabilities	<u>\$ 23,689,265</u>	<u>\$ 40,638</u>	<u>\$ 1,174,638</u>	<u>\$ 22,555,265</u>	<u>\$ 1,126,530</u>

Note 6. Short-term Debt

In July 2005, Christian County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing notes in the amounts of \$4,000,000 and \$637,000, with principal being due in January 2006. While the County did not use the borrowed funds in order to meet current General Fund or Road Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$18,322 and \$2,918.

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program- General Fund	\$	\$ 4,000,000	\$ 4,000,000	\$
Kentucky Advance Revenue Program- Road Fund		637,000	637,000	
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 4,637,000</u>	<u>\$ 4,637,000</u>	<u>\$ 0</u>

Note 7. Interest on Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$158,852 in interest on financing obligations and \$987,104 in interest on bonds and notes.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

On December 19, 2000, the Christian County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

Note 10. Insurance

For the fiscal year ended June 30, 2006, Christian County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Health Insurance

Christian County Fiscal Court elected to begin a partially self-funded health insurance plan beginning in fiscal year ended June 30, 1998. This partially self-funded insurance plan covers all county employees, and the county pays for each county employee's individual coverage. Christian County contracted with North American Administrators to administer the employee benefit plan for the 2005-2006 fiscal year.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 11. Health Insurance (Continued)

This partially self-funded insurance plan has two distinct components that the fiscal court must pay. The first component is the fixed cost, which consists of administrative fees associated with operating the plan, and specific and aggregate reinsurance costs that cap the county's claims exposure on an individual and aggregate basis. Incurred fixed costs for the fiscal year ended June 30, 2006 were \$290,262. The second component is the claims cost, all of which Christian County is responsible to pay as they incur. Once an individual exceeds \$40,000 in claims or the County's aggregate claims exceed the predetermined maximum, then the County will receive reimbursements from the reinsurance carrier. Incurred claims for the fiscal year ended June 30, 2006 were \$1,093,789 and reimbursements were \$150,831. Christian County Fiscal Court's contract with North American Administrators has no terminal liability provision. The Court would be responsible to pay all run-out claims after termination. The Health Insurance Fund had a balance of \$841,713 as of June 30, 2006.

Note 12. Subsequent Event

Revenue Refunding Bonds, Series 2007

On November 1, 2000, the Christian County Public Courthouse Corporation issued bonds in the amount of \$18,565,000 for the purpose of financing the cost of the acquisition, construction, and equipping of the Justice Center, a court facility, and complete renovations of the Christian County Corrections Center.

The Christian County Public Courthouse Corporation issued Christian County Public Courthouse Corporation (Kentucky) Lease Revenue Refunding Bonds (Court Facility Project), Series 2007 in the amount of \$16,545,000. The proceeds of the Bonds will be used to refund the outstanding Series 2000 Bonds.

Christian County Public Courthouse Corporation (Kentucky) Lease Revenue Refunding Bonds (Court Facility Project), Series 2007

The Christian County Public Courthouse Corporation (Corporation) was established by the County of Christian, Kentucky (County) to act as the agency and instrumentality of the County in acquiring, developing, and financing public improvements and public projects. The Corporation issued its Christian County Public Courthouse Corporation Lease Revenue Bonds (District Court Facility Project), Series 2000, dated November 1, 2000, (Series 2000 Bonds) for the purpose of acquiring, constructing and furnishing a court facility and the completion of the renovation and improvement of the Christian County Corrections Center located in Hopkinsville, Kentucky.

The Corporation adopted at the direction of the Fiscal Court of the County, a resolution (Resolution) authorizing the Series 2007 Bonds for the purpose of paying the costs associated with the refunding and refinancing of the Series 2000 Bonds.

The proceeds of the Bonds will be used to refund the outstanding Series 2000 Bonds. The refunding of the Series 2000 Bonds will be accomplished pursuant to the Escrow Agreement by and between the Corporation and U. S. Bank, National Association, the paying agent for the Series 2000 Bonds (Escrow Agent) by depositing with the Escrow Agent a sum of initial cash and certain noncallable direct obligations of the United States Treasury (collectively, the "Government Obligations"). The funds needed to make the initial cash deposit and to purchase the Government Obligations will be provided from the proceeds of the Bonds.

CHRISTIAN COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 12. Subsequent Event (Continued)

Revenue Refunding Bonds, Series 2007 (Continued)

The Government Obligations to be purchased and deposited with the Escrow Agent will bear interest at such rates and will be scheduled to mature at such times and in such amounts so that, when paid according to their respective terms, sufficient moneys together with any amounts of cash then on deposit with the Escrow Agent, will be available to fully provide for: (i) the timely payment of interest on the Series 2000 Bonds accruing from August 1, 2007 to and including November 1, 2010 (the earliest date on which such bonds can be redeemed prior to maturity); and (ii) to redeem on November 1, 2010 at a price equal to 101% of principal amount the Series 2000 Bonds which as of that date have not been redeemed, retired or otherwise paid.

All moneys and Government Obligations on deposit with the Escrow Agent, including interest to be earned thereon, are pledged solely and irrevocably for the benefit of the holders of the Series 2000 bonds.

Inasmuch as the cash and Government Obligations on deposit with the Escrow Agent will be sufficient to fully provide for the payment of the principal and the interest on the Series 2000 Bonds, as specified above, said Series 2000 Bonds shall be deemed to be paid.

The Bonds will be secured by a foreclosable first mortgage lien on the Project. The Bonds will also be secured by the assignment by the Corporation of all its right, title, and interest to a lease agreement with the County.

The Bonds in the amount of \$16,545,000 will be dated the date of issuance, will bear interest from that date as described herein, payable semi-annually on February 1 and August 1 of each year commencing August 1, 2007, at rates ranging from 3.50% to 4.00%. The Bonds will mature on August 1 of each year, in the years and in the principal amounts shown below.

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2008	\$ 514,238	\$ 200,000
2009	608,069	835,000
2010	578,406	860,000
2011	547,781	890,000
2012	516,019	925,000
2013-2017	2,048,478	5,145,000
2018-2022	929,800	6,280,000
2023	28,200	1,410,000
Totals	<u>\$ 5,770,991</u>	<u>\$ 16,545,000</u>

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2006

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,641,500	\$ 3,641,500	\$ 3,843,558	\$ 202,058
In Lieu Tax Payments	172,414	172,414	150,187	(22,227)
Excess Fees	393,000	393,000	530,475	137,475
Licenses and Permits	73,400	73,400	89,316	15,916
Intergovernmental Revenue	6,323,983	6,323,983	1,545,518	(4,778,465)
Charges for Services	224,200	224,200	210,312	(13,888)
Miscellaneous	183,767	183,767	180,560	(3,207)
Interest	18,500	18,500	108,524	90,024
Total Revenues	<u>11,030,764</u>	<u>11,030,764</u>	<u>6,658,450</u>	<u>(4,372,314)</u>
EXPENDITURES				
General Government	2,376,754	1,905,396	1,905,396	
Protection to Persons and Property	804,989	724,990	724,990	
General Health and Sanitation	264,707	251,123	251,123	
Social Services	45,263	62,582	62,582	
Recreation and Culture	104,682	106,504	106,504	
Airports	26,688	24,500	24,500	
Debt Service	24,888	29,397	29,397	
Capital Projects	5,166,117	322,869	322,869	
Administration	1,638,352	7,025,079	1,089,324	5,935,755
Total Expenditures	<u>10,452,440</u>	<u>10,452,440</u>	<u>4,516,685</u>	<u>5,935,755</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>578,324</u>	<u>578,324</u>	<u>2,141,765</u>	<u>1,563,441</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	<u>(584,302)</u>	<u>(584,302)</u>	<u>(360,510)</u>	<u>223,792</u>
Total Other Financing Sources (Uses)	<u>(584,302)</u>	<u>(584,302)</u>	<u>(360,510)</u>	<u>223,792</u>
Net Changes in Fund Balances	(5,978)	(5,978)	1,781,255	1,787,233
Fund Balances - Beginning	<u>5,978</u>	<u>5,978</u>	<u>2,691,293</u>	<u>2,685,315</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,472,548</u>	<u>\$ 4,472,548</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu Tax Payments	\$ 39,400	\$ 39,400	\$	(39,400)
Intergovernmental Revenue	2,692,751	2,692,751	2,065,017	(627,734)
Miscellaneous	9,100	9,100	75,031	65,931
Interest	1,600	1,600	17,280	15,680
Total Revenues	2,742,851	2,742,851	2,157,328	(585,523)
EXPENDITURES				
Roads	2,001,763	1,283,319	1,283,319	
Capital Projects	715,000	396,313	396,313	
Administration	188,117	1,225,248	125,192	1,100,056
Total Expenditures	2,904,880	2,904,880	1,804,824	1,100,056
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(162,029)	(162,029)	352,504	514,533
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	301,865	301,865	45,000	(256,865)
Transfers to Other Funds	(149,836)	(149,836)	(163,178)	(13,342)
Total Other Financing Sources (Uses)	152,029	152,029	(118,178)	(270,207)
Net Changes in Fund Balances	(10,000)	(10,000)	234,326	244,326
Fund Balances - Beginning	10,000	10,000	73,141	63,141
Fund Balances - Ending	\$ 0	\$ 0	\$ 307,467	\$ 307,467

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 4,275,892	\$ 4,275,892	\$ 4,214,495	\$ (61,397)
Charges for Services	1,456,027	1,456,027	954,171	(501,856)
Miscellaneous	202,600	202,600	231,862	29,262
Interest	4,000	4,000	12,973	8,973
Total Revenues	<u>5,938,519</u>	<u>5,938,519</u>	<u>5,413,501</u>	<u>(525,018)</u>
EXPENDITURES				
Protection to Persons and Property	4,461,157	3,929,703	3,929,703	
Debt Service	814,038	799,857	737,250	62,607
Administration	616,370	1,162,005	566,613	595,392
Total Expenditures	<u>5,891,565</u>	<u>5,891,565</u>	<u>5,233,566</u>	<u>657,999</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>46,954</u>	<u>46,954</u>	<u>179,935</u>	<u>132,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	<u>(621,954)</u>	<u>(621,954)</u>	<u>(621,284)</u>	<u>670</u>
Total Other Financing Sources (Uses)	<u>(621,954)</u>	<u>(621,954)</u>	<u>(621,284)</u>	<u>670</u>
Net Changes in Fund Balances	<u>(575,000)</u>	<u>(575,000)</u>	<u>(441,349)</u>	<u>133,651</u>
Fund Balances - Beginning	<u>575,000</u>	<u>575,000</u>	<u>587,784</u>	<u>12,784</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 146,435</u>	<u>\$ 146,435</u>

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 502,100	\$ 502,100	\$ 271,996	\$ (230,104)
Interest	50	50	6	(44)
Total Revenues	502,150	502,150	272,002	(230,148)
EXPENDITURES				
General Government	218,100	218,100	13,063	205,037
Roads	294,050	294,050	205,183	88,867
Total Expenditures	512,150	512,150	218,246	293,904
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(10,000)	(10,000)	53,756	63,756
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds			45,041	45,041
Total Other Financing Sources (Uses)			45,041	45,041
Net Changes in Fund Balances	(10,000)	(10,000)	98,797	108,797
Fund Balances - Beginning	10,000	10,000	11,002	1,002
Fund Balances - Ending	\$ 0	\$ 0	\$ 109,799	\$ 109,799

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

REVOLVING LOAN FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous	\$ 100	\$ 100	\$	\$ (100)
Interest	3,000	3,000	10,503	7,503
Total Revenues	3,100	3,100	10,503	7,403
EXPENDITURES				
General Government	518,100	518,100	115,000	403,100
Total Expenditures	518,100	518,100	115,000	403,100
Net Changes in Fund Balances	(515,000)	(515,000)	(104,497)	410,503
Fund Balances - Beginning	515,000	515,000	515,566	566
Fund Balances - Ending	\$ 0	\$ 0	\$ 411,069	\$ 411,069

CHRISTIAN COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2006
(Continued)

E-911 FEE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 334,000	\$ 334,000	\$ 217,949	\$ (116,051)
Intergovernmental Revenue	-	-	141,501	141,501
Miscellaneous	100	100	250,000	249,900
Interest	6,650	6,650	31,694	25,044
Total Revenues	<u>340,750</u>	<u>340,750</u>	<u>641,144</u>	<u>300,394</u>
EXPENDITURES				
Protection to Persons and Property	1,278,505	569,350	569,350	
Administration	100,000	809,155		809,155
Total Expenditures	<u>1,378,505</u>	<u>1,378,505</u>	<u>569,350</u>	<u>809,155</u>
Net Changes in Fund Balances	(1,037,755)	(1,037,755)	71,794	1,109,549
Fund Balances - Beginning	<u>1,037,755</u>	<u>1,037,755</u>	<u>1,086,948</u>	<u>49,193</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,158,742</u>	<u>\$ 1,158,742</u>

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis differs from the budgetary comparison schedules of the General Fund, Road Fund, and Jail Fund which have been modified to reflect the following changes: (see following pages)

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2006
(Continued)

GENERAL FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance and Capital Expenditures	Adjusted Actual
REVENUES			
Taxes	\$ 3,843,558	\$	\$ 3,843,558
In Lieu Tax Payments	150,187		150,187
Excess Fees	530,475		530,475
Licenses and Permits	89,316		89,316
Intergovernmental Revenue	1,545,518		1,545,518
Charges for Services	210,312		210,312
Miscellaneous	180,560		180,560
Interest	108,524		108,524
Total Revenues	<u>6,658,450</u>		<u>6,658,450</u>
EXPENDITURES			
General Government	1,905,396		1,905,396
Protection to Persons and Property	724,990		724,990
General Health and Sanitation	251,123		251,123
Social Services	62,582		62,582
Recreation and Culture	106,504		106,504
Airports	24,500		24,500
Debt Service	29,397		29,397
Capital Projects	322,869	40,638	363,507
Administration	1,089,324	315,510	1,404,834
Total Expenditures	<u>4,516,685</u>	<u>356,148</u>	<u>4,872,833</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,141,765</u>	<u>(356,148)</u>	<u>1,785,617</u>
OTHER FINANCING SOURCES (USES)			
Financing Agreement Proceeds		40,638	40,638
Transfers to Other Funds	<u>(360,510)</u>	<u>315,510</u>	<u>(45,000)</u>
Total Other Financing Sources (Uses)	<u>(360,510)</u>	<u>356,148</u>	<u>(4,362)</u>
Net Changes in Fund Balances	1,781,255		1,781,255
Fund Balances - Beginning	<u>2,691,293</u>		<u>2,691,293</u>
Fund Balances - Ending	<u>\$ 4,472,548</u>	<u>\$ 0</u>	<u>\$ 4,472,548</u>

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2006
(Continued)

ROAD FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance Fund	Adjusted Actual
REVENUES			
Intergovernmental Revenue	\$ 2,065,017	\$	\$ 2,065,017
Miscellaneous	75,031		75,031
Interest	17,280		17,280
Total Revenues	<u>2,157,328</u>		<u>2,157,328</u>
EXPENDITURES			
Roads	1,283,319		1,283,319
Capital Projects	396,313		396,313
Administration	125,192	118,137	243,329
Total Expenditures	<u>1,804,824</u>	<u>118,137</u>	<u>1,922,961</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>352,504</u>	<u>(118,137)</u>	<u>234,367</u>
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	45,000		45,000
Transfers to Other Funds	(163,178)	118,137	(45,041)
Total Other Financing Sources (Uses)	<u>(118,178)</u>	<u>118,137</u>	<u>(41)</u>
Net Changes in Fund Balances	234,326		234,326
Fund Balances - Beginning	<u>73,141</u>		<u>73,141</u>
Fund Balances - Ending	<u>\$ 307,467</u>	<u>\$ 0</u>	<u>\$ 307,467</u>

CHRISTIAN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2006
(Continued)

JAIL FUND	Actual Amounts, (Budgetary Basis)	Adjustment for Health Insurance Fund	Adjusted Actual
REVENUES			
Intergovernmental Revenue	\$ 4,214,495	\$	\$ 4,214,495
Charges for Services	954,171		954,171
Miscellaneous	231,862		231,862
Interest	12,973		12,973
Total Revenues	<u>5,413,501</u>		<u>5,413,501</u>
EXPENDITURES			
Protection to Persons and Property	3,929,703		3,929,703
Debt Service	737,250		737,250
Administration	566,613	558,677	1,125,290
Total Expenditures	<u>5,233,566</u>	<u>558,677</u>	<u>5,792,243</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>179,935</u>	<u>(558,677)</u>	<u>(378,742)</u>
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	<u>(621,284)</u>	<u>558,677</u>	<u>(62,607)</u>
Total Other Financing Sources (Uses)	<u>(621,284)</u>	<u>558,677</u>	<u>(62,607)</u>
Net Changes in Fund Balances	(441,349)		(441,349)
Fund Balances - Beginning	<u>587,784</u>		<u>587,784</u>
Fund Balances - Ending	<u>\$ 146,435</u>	<u>\$ 0</u>	<u>\$ 146,435</u>

CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2006

**CHRISTIAN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, business-type activities, and each major fund of Christian County, Kentucky.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Christian County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Christian County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Christian County reported in Part C of this schedule.
7. The programs tested as major programs were: Abandoned Mine Land Reclamation Program (CFDA# 15.252) and Help America Vote Act Requirements Payments (CFDA# 90.401).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Christian County was not determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS:

None.

REPORTABLE CONDITIONS:

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

None.

THIS PAGE LEFT BLANK INTENTIONALLY

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2006

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2006

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and <u>Urban Development</u>		
Passed-Through Governor's Office for Local Development		
Community Development Block Grants-State's Program (CFDA # 14.228)	06-005	\$ 78,446
<u>U.S. Election Assistance Commission</u>		
Passed-Through State Board of Elections		
Help America Vote Act Requirements Payments (CFDA #90.401)	N/A	265,660 ***
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department of Military Affairs:		
State Domestic Preparedness Equipment Support Program (CFDA #97.004)	M-04595490 M-04647883	101,507 2,470
Emergency Management Performance Grants (CFDA #97.042)	M-05425704	<u>12,804</u>
Total U. S. Department of Homeland Security		<u>116,781</u>
<u>U.S. Department of Justice</u>		
Passed-Through State Justice and Public Safety Cabinet:		
Juvenile Justice and Delinquency Prevention -		
Allocation to States (CFDA #16.540)	2003-JF-FX-0050 2004-JF-FX-0046	8,837 5,838
Edward Byrne Memorial Formula Grant (CFDA #16.579)	2005-DJ-BX-1685	25,428
Local Law Enforcement Block Program (CFDA #16.592)	2004-LB-BX-0392 2003-LB-BX-0408	3,729 <u>5,380</u>
Total U. S. Department of Justice		<u>49,212</u>

CHRISTIAN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2006
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	
<u>U.S. Office of Surface Mining</u>			
Passed-Through State Department Of Natural Resources:			
Abandoned Mine Land Reclamation Program (CFDA # 15.252)	N/A	\$ 316,301	***
Total Expenditures of Federal Awards		<u>\$ 826,400</u>	

***Tested as Major Program or Cluster

CHRISTIAN COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2006

Note 1 – The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Christian County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations,

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the governmental activities, the business-type activities, and each major fund of Christian County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 7, 2007. Christian County's financial statements are prepared in accordance with the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Christian County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Christian County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 7, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Steve Tribble, Christian County Judge/Executive
Members of the Christian County Fiscal Court

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Christian County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Christian County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Christian County's management. Our responsibility is to express an opinion on Christian County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Christian County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Christian County's compliance with those requirements.

In our opinion, Christian County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Christian County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Christian County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

August 7, 2007

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CHRISTIAN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**

Appendix A

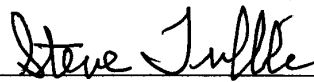
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

CHRISTIAN COUNTY FISCAL COURT

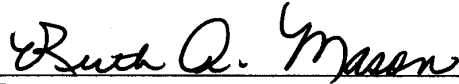
For The Fiscal Year Ended June 30, 2006

The Christian County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer

